

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS



815 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

RICHARD L. TRUMKA
PRESIDENT

ELIZABETH H. SHULER
SECRETARY-TREASURER

ARLENE HOLT BAKER
EXECUTIVE VICE-PRESIDENT

LEGISLATIVE ALERT!

(202) 637-5057

November 16, 2011



The Honorable Sherrod Brown
United States Senate
Washington, D.C. 20515

The Honorable Barbara Mikulski
United States Senate
Washington, D.C. 20515

Dear Senators Brown and Mikulski:

The AFL-CIO supports your bill to establish a Consumer Price Index for Elderly Consumers to compute the annual cost of living (COLA) for Social Security benefits. It would ensure that Social Security benefits keep pace with beneficiaries' rising costs.

At a time when the political discourse seems dominated by talk of where and by how much we can cut the safety net of the oldest and most vulnerable among us, your bill reaffirms our shared commitment to the millions of working Americans that Social Security, our nation's most effective anti-poverty program, will provide them with a meaningful retirement benefit.

One of Social Security's most important features is that benefits automatically are adjusted to maintain their value over time. But the current inflation measure is faulty. It necessarily understates the actual costs faced by retired beneficiaries because it expressly excludes the consideration of retirees' spending patterns, focusing instead on the general population. Significantly, the current inflation measure (the "CPI-W") fails to account for retirees' larger than average spending on medical care and, as we all know, health care costs are rising much faster than any other costs.

Your bill, requiring a consumer price index that actually reflects the spending patterns of households age 62 and older be used to determine the annual COLA will be of tremendous value to the millions of seniors who rely on Social Security. It also exposes the danger of the COLA calculation change, i.e. the "chained CPI," being contemplated by the "Supercommittee." A chained CPI would show even lower cost growth than the current inadequate inflation measure and result in a large benefit reduction over time.

Thank you for your support of America's working families.

Sincerely,

William Samuel, Director
Government Affairs Department